

SCHOOL DISTRICT

OF

HI-NELLA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Hi-Nella Board of Education

Hi-Nella, New Jersey

For the Fiscal Year Ended June 30, 2015

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Hi-Nella Board of Education

Hi-Nella, New Jersey

For the Fiscal Year Ended June 30, 2015

Prepared by

Hi-Nella Board of Education

Finance Department

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE HI-NELLA BOARD OF EDUCATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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INTRODUCTORY SECTION

**Hi-Nella Board of Education
705 South Warwick Road
Hi-Nella NJ 08083
856.435.6328**

Kirsten Tresbisky
Board Secretary

Karen Willis
Business Administrator

November 13, 2015

Honorable President and
Members of the Board of Education
Hi-Nella School District
County of Camden, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Hi-Nella School District for the fiscal year ended June 30, 2015 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo a single audit in conformity with the provisions of the Single Audit Act of 1984, as supplemented and amended in 1996, and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the State Treasury Circular Letter 04-04 OMB and/or 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and questioned costs are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES: Hi-Nella School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds of the District are included in this report. The Hi-Nella Board of Education provides the following services:

- K - 12 regular education with sending/receiving tuition contracts with Oaklyn for 1 to 8 grades, Stratford Public Schools (pre K to 8,) and Sterling for 9 through 12th grade.
- Remedial services for at risk students through Sterling and Oaklyn
- Special Education programs and related services as indicated in the Individual Education Plan (IEP) and required by N.J.A.C. 6:28 through Oaklyn, Sterling, Stratford and other private and public schools
- Transportation services for Oaklyn, Vocational (no students during year) and Special Education students. Stratford provided busing to Parkview School.

2. ECONOMIC CONDITION AND OUTLOOK: Hi-Nella is experiencing no development in housing and should not have any significant impact on the school district. Kirsten Trebisky was appointed as Board Secretary effective July 1, 2014 and Karen Willis has been serving as the Business Administrator since May 2014. At June 30, 2015, the financial condition of the District is in a deficit position of \$866,703, on a GAAP basis.

3. BUDGETARY CONTROLS: The District entered into a shared service contract with Hi-Nella Borough from January 1, 2014 through June 30, 2014 for the business operations. Effective July 1, 2014, the business operations was brought in-house through payroll. In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. An annual appropriated budget is adopted for the general fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

4. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records are maintained utilizing double entry "QuickBooks" accounting software. The accounting system of the District is organized based on funds. These funds are explained in "Notes to the Financial Statements," Note 1.

5. FINANCIAL INFORMATION AT FISCAL YEAR-END: The 2014-15 budget presented to the Board in April was adjusted by the County Executive Superintendent in May 2014. After raising taxes, 35%, to the "CAP" limit, in 2013-14, taxes for 2014-15 were only raised by 2%. We started an enterprise fund to help with alternate ways to fund our 2014-15 budget. Joint Purchasing Department's management fee will be used to help offset prior year tuition adjustment approved by the County and individual schools. NJOFAC completed a financial review of the District and the report was issued in November 2014. A State Monitor has been appointed to assist the District.

6. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 2. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA").

6. CASH MANAGEMENT (CONT'D):

GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

7. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bowman & Company LLP was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 as supplemented and amended in 1996, and the related OMB Circular A-133 and state Treasury Circular Letter 98-07 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

8. ACKNOWLEDGEMENTS:

I would like to express my appreciation to the members of the Hi-Nella Board of Education, and to Amy Ward, Account Manager, for their concern in providing fiscal accountability to the citizens and taxpayers of the Hi-Nella and thereby contributing their full support to the students of Hi-Nella.

Respectfully submitted,

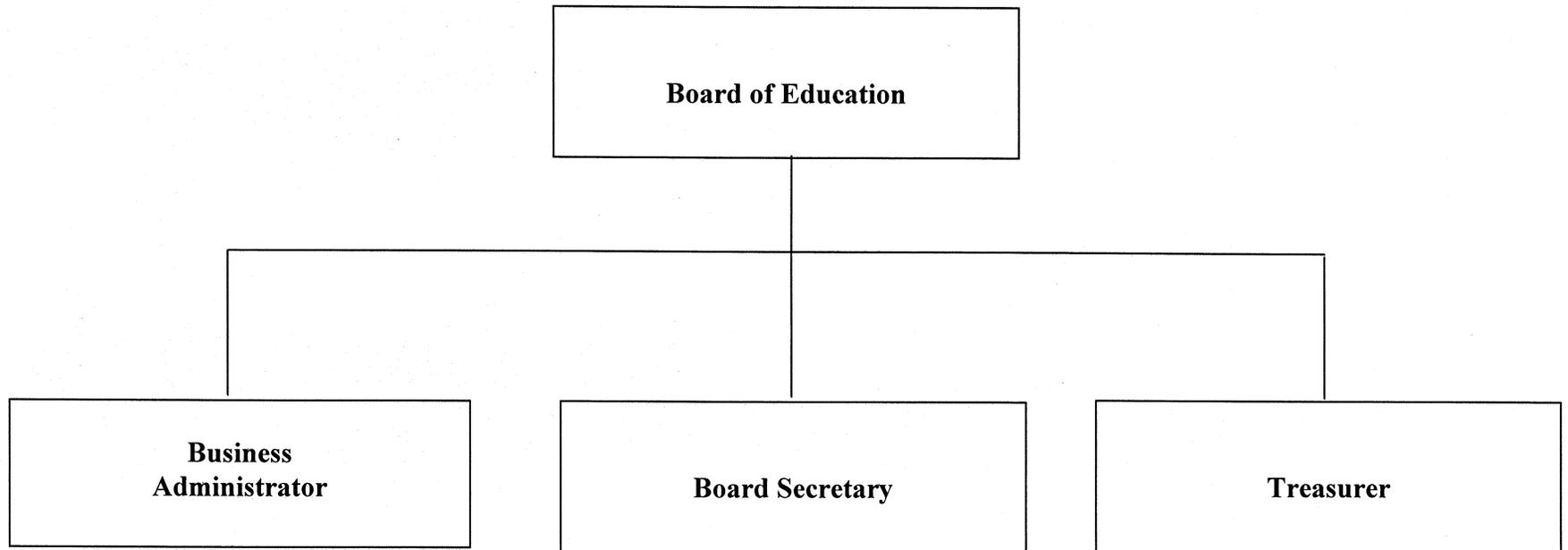


Karen Willis
Business Administrator

**HI-NELLA BOARD OF EDUCATION
HI-NELLA, NEW JERSEY**

Organizational Chart

JUNE 30, 2015



HI-NELLA BOARD OF EDUCATION
HI-NELLA , NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2015

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
John Baugher Jr., President	2015
Christine Lewis, Vice President	2015
Kathy Schaeffer	2016

There are also two vacancies on the Board

<u>OTHER OFFICIALS</u>	<u>Bond Amount</u>
Kirsten Trebisky, Board Secretary	
Karen Willis, School Business Administrator	
Katherine Smith, Treasurer	
Susan Hodges, Esq., Schwartz, Simon, Edelstein & Celso LLC, Solicitor	

HI-NELLA BOARD OF EDUCATION
HI-NELLA, NEW JERSEY

Consultants and Advisors

AUDITOR

Raymond Colavita, CPA, RMA
Nightlinger, Colavita and Volpa
Certified Public Accountants
991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

ATTORNEY

Susan Hodges, Esq.
Schwartz, Simon, Edelstein & Celso, LLC
1000 Crawford Place, Suite 140
Mt. Laurel, NJ 08054

OFFICIAL DEPOSITORY

First Colonial Community Bank
1040 Haddon Avenue
Collingswood, NJ 08108

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245
www.colavita.net

November 13, 2015

INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of Education
Hi-Nella School District
County of Camden
Hi-Nella, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Board of Education of the Hi-Nella School District in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Hi-Nella School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the Hi-Nella Board of Education in the County of Camden, State of New Jersey, as of June 30, 2015, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Management Discussion and Analysis and Budgetary Comparison Information on pages 10 through 16 and 38 through 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hi-Nella Board of Education's, financial statements as a whole. The accompanying introductory section and other supplementary information such as combining and individual non-major fund financial statements, long-term debt schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required New Jersey OMB's Circular 04-04 and/or 15-08, *Single Audit Policy For Recipients of Federal Grants, State Grants and State Aid*, and is also not a required part of the basic financial statements.

The accompanying combining statements and related major fund supporting statements and schedules and schedules of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedure applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining statements and related major fund supporting statements and schedules and schedules of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2015 on our consideration of the Hi-Nella Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

REQUIRED SUPPLEMENTARY INFORMATION – PART I

HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

As management of the Hi-Nella School District (hereafter referred to as the "School District"), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the information furnished in our letter of transmittal, notes to the basic financial statements, and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The net position of the School District, which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources, was a deficit of \$862,281 at the close of the current fiscal year.
- As of the close of the current fiscal year, the School District's governmental funds also reported a combined ending fund balances deficit of \$886,703, a decrease of \$358,539 in comparison with the prior fiscal year.
- The reason for the decrease in the School District's fiscal year end June 30, 2015 net position and fund balance was a direct result of increased tuition costs. As a non-operating school district, all students that live in the Borough of Hi-Nella attend schools, on a tuition basis, located in the Oaklyn School District, the Stratford School District, and the Sterling Regional High School District, depending on the grade level of the student.
- The School District experienced an excess in budget revenues in the amount of \$15,450 as a result of the School District receiving additional revenue from the State of New Jersey that was not anticipated in the adopted 2014-15 fiscal year budget, as well as the receipt of prior year tuition.

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This comprehensive annual financial report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund financial statements for the governmental activities tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the School District's operations in more detail than the government-wide statements by providing information about the School District's most significant funds.

Reporting the School District as a Whole

One of the most important questions asked about the School District's finances is, "Is the School District as a whole better off or worse off as a result of the fiscal year's activities?" The statement of net position and the statement of activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's *net position* and changes in it. You can think of the School District's net position - which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources - as one way to measure the School District's financial health, or *financial position*. Over time, *increases or decreases* in the School District's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the School District's property tax base and the condition of the School District's capital assets, if any, to assess the *overall health* of the School District.

**HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONT'D)

In the statement of net position and the statement of activities, we divide the School District into two kinds of activities, those being governmental activities and business-type activities. In the governmental activities, this is where all of the School District's basic services are reported and are supported from property taxes and intergovernmental revenues. The business-type activities are supported from user fees and charges.

Reporting the School District's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds, not the School District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. For the fiscal year ended June 30, 2015, the School District had no fiduciary funds.

Governmental funds - governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, capital projects fund, and debt service fund, which are all considered to be major funds. For the fiscal year ended June 30, 2015, however, the School District had no activity reportable in the special revenue fund, capital projects fund, or debt service fund.

The School District adopts an annual budget for its general fund, special revenue fund (if applicable), and debt service fund (if applicable). Budgetary comparison schedules have been provided to demonstrate compliance with these budgets. As previously stated, the School District had no activity reportable in the special revenue fund or debt service fund for the fiscal year ended June 30, 2015, thus no budgets were adopted for those respective funds.

Proprietary Funds - The School District maintains one type of proprietary fund; that being an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The School District uses an enterprise fund to account for its shared services fund, which was created during the fiscal year ended June 30, 2014.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the shared services fund, which is considered to be a major fund.

Notes to the Financial Statements - the notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

THE SCHOOL DISTRICT AS A WHOLE

As previously stated, the School District's net position decreased by \$334,117 during fiscal year 2015, decreasing from \$582,164 in fiscal year 2014 to a deficit of \$862,281 in fiscal year 2015. Our analysis that follows focuses on the net position (Table 1) and changes in net position (Table 2) of the School District's governmental-type activities.

**HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

THE SCHOOL DISTRICT AS A WHOLE (CONT'D)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
	Cash and Cash Equivalents	\$ 4,564	\$ 5,498	\$ 629	\$ 4,428	\$ 5,193
Internal Balances		25,218	1,157	(25,218)	1,157	
Accounts Receivable, net	11,530	6,593	360,128	355,782	371,658	362,375
Prepaid Expenses				20,880		20,880
Total Assets	16,094	37,309	361,914	355,872	378,008	393,181
Current Liabilities	902,797	565,473	337,492	355,872	1,240,289	921,345
Total Liabilities	902,797	565,473	337,492	355,872	1,240,289	921,345
Unrestricted	(886,703)	(528,164)	24,422		(862,281)	(528,164)
Total Net Position	\$ (886,703)	\$ (528,164)	\$ 24,422		\$ (862,281)	\$ (528,164)

In total, assets decreased by \$15,173. The decrease in assets was largely attributed by no prepaid expenses related to shared services recorded in the business-type activities. Liabilities increased by \$318,944. This overall increase resulted from the previously mention increase in tuition expenditures of governmental activities and payables resulting from the providing of shared services in the business-type activities. As indicated in the above table, the entire net position of the School District is an unrestricted deficit of \$862,281. The net position from business-type activities is \$24,422 and the net position from governmental activities is \$886,703.

**TABLE 2
CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
	REVENUES					
Program Revenues						
Charges for Services		\$ 35,283	\$ 4,457,076	\$ 1,136,467	\$ 4,457,076	\$ 1,171,750
Operating Grants and Contributions	\$ 3,030					
General Revenues						
Property Taxes, Levied for General Purposes	780,000	772,421			780,000	772,421
Unrestricted State Aid	865,294	846,346			865,294	846,346
Unrestricted Interest and Investment Earnings	339		684	15	1,023	15
Unrestricted Donations				3,050		3,050
Miscellaneous	6,711	293			6,711	293
Total Revenues	1,655,374	1,654,343	4,457,760	1,139,532	6,113,134	2,793,875
EXPENSES						
Tuition	1,871,064	2,179,361			1,871,064	2,179,361
Student and Instruction Related Services	3,030	4,393			3,030	4,393
Other Administrative Services	1,679	15,446			1,679	15,446
School Administrative Services		28,840				28,840
Pupil Transportation	138,140	97,107			138,140	97,107
Share Services Fund			4,433,338	1,011,514	4,433,338	1,011,514
Total Expenses	2,013,913	2,325,147	4,433,338	1,011,514	6,447,251	3,336,661
Increase (Decrease) in Net Position before Transfers	(358,539)	(670,804)	24,422	128,018	(334,117)	(542,786)
Transfers		128,018		(128,018)		
Increase (Decrease) in Net Position	(358,539)	(542,786)	24,422		(334,117)	(542,786)
Net Position, July 1	(528,164)	14,622			(528,164)	14,622
Net Position, June 30	\$ (886,703)	\$ (528,164)	\$ 24,422		\$ (862,281)	\$ (528,164)

**HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

THE SCHOOL DISTRICT AS A WHOLE (CONT'D)

During fiscal year 2015, the School District's total revenues increased by \$3,319,259, increasing from \$2,793,875 in fiscal year 2014 to \$6,113,134 in fiscal year 2015. The net change in total revenues is largely attributable to the following:

- Property taxes (levied for general purposes) increased from fiscal year 2014 by \$7,579.
- Unrestricted state aid increased from fiscal year 2014 by \$21,978.
- Miscellaneous revenues increased from fiscal year 2014 by \$6,418, along with interest earned increasing by \$1,008.
- Charges for services in the business type activities for the shared services enterprise fund increased \$3,320,609.

The largest concentration of total revenues of the School District for fiscal year 2015 consisted of charges for services, which represented 73% of total revenues, followed by unrestricted state aid 14%, and property taxes 13%. As previously stated, the charges for services resulted from shared service billings generated by the business-type activities. Governmental activities rely heavily on unrestricted state aid and property taxes, 27%, to fund general operations.

During fiscal year 2015, the School District's total expenses increased by \$3,110,589, increasing from \$3,336,662 in fiscal year 2014 to \$6,447,251 in fiscal year 2015. The net change in total expenses is largely attributable to the following:

- Tuition decreased from fiscal year 2014 by \$308,297, as a result of 2014-15 tuition charges for students attending neighboring schools, and related 2012-13 tuition adjustments.
- Pupil transportation increased from fiscal year 2015 by \$41,033, as a result of expenses incurred for transporting students who have "hazardous" routes to school and would then qualify for transportation.
- Expenses incurred for shared services were \$4,433,338.

THE SCHOOL DISTRICT'S FUNDS

Governmental Funds

As the School District completed the fiscal year, its governmental funds reported a *combined* fund balance deficit of \$886,703, which is all associated with the general fund as the School District did not have any transactions that were required to be reported in the remaining governmental fund types, those being the special revenue fund, capital projects fund, and debt service fund. Of the combined ending fund balance deficit (general fund), the unassigned fund balance deficit was \$886,703. As no fund balance was available, nothing was assigned to the fiscal year 2016 budget for subsequent year's expenditures.

General fund - The general fund is the general operating fund of the School District and is used to account for the inflows and outflows of its financial resources. The acquisition of certain capital assets, such as equipment, is accounted for in the general fund when it is responsible for the financing of such expenditures.

**HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

THE SCHOOL DISTRICT'S FUNDS (CONT'D)

General fund (cont'd) - During the current fiscal year, the fund balance of the School District's general fund decreased by \$358,539. The primary factors affecting the fund balance of the general fund, is as follows:

- Property tax revenue (levied for general purposes) increased from fiscal year 2014 by \$7,579.
- Unrestricted state aid revenues increased from fiscal year 2014 by \$21,978.
- Miscellaneous revenues and interest increased from fiscal year 2014 by \$7,426, while tuition revenue decreased by \$35,283.
- Tuition expenditures decreased from fiscal year 2014 by \$308,297, as a result of 2014-15 tuition charges for students attending neighboring schools, and related 2012-13 tuition adjustments
- Pupil transportation increased from fiscal year 2014 by \$41,033, as a result of expenses incurred for transporting students who have "hazardous" routes to school and would then qualify for transportation.
- Total revenues decreased in fiscal year 2015 by \$1,999, or .12%, while expenditures decreased disproportionately by \$314,264, or 13.4%, thus contributing to an overall fund balance deficit of \$886,703.

Special revenue fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources, such as state or federal government grants, that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. For the fiscal year ended June 30, 2015, the School District had little activity reported in its special revenue fund, with an ending balance of \$0.

Capital projects fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, or from the general fund by way of transfers from capital outlay or the capital reserve account. For the fiscal year ended June 30, 2015, the School District had no activity reportable in its capital projects fund.

Debt service fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. For the fiscal year ended June 30, 2015, the School District had no activity reportable in its debt service fund.

Proprietary Funds

Proprietary funds are used to account for the School District's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All items not meeting this definition are reported as non-operating revenues and expenses.

**HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

THE SCHOOL DISTRICT'S FUNDS (CONT'D)

Proprietary Funds (Cont'd)

The School District reports the following major proprietary fund, which is classified as an enterprise fund:

Shared Services Fund - This enterprise fund accounts for the financial activity related to the providing of buildings and grounds, business office, fixed asset reporting, technology, and other services to other governmental entities.

As previously stated, the School District operated a shared services fund during fiscal year 2015 with fiscal year 2015 financial highlights of the shared services fund are as follows:

- As of fiscal year end, assets totaled \$361,914, primarily consisting of accounts receivable of \$360,128 resulting from charges for shared services.
- As of fiscal year end, current liabilities totaled \$337,492, consisting of accounts payable incurred for the providing of shared services.
- Charges for services resulted in revenue of \$4,457,076, while expenses incurred for providing the shared services totaled \$4,433,338.

General Fund Budgetary Highlights

Budget modifications during the fiscal year ended June 30, 2015 consisted of budgetary line item transfers approved by the Board of Education.

The final budgetary basis revenue estimate was \$1,636,978, which remained unchanged from the original budgeted estimate. Total budgeted revenues realized equaled \$1,652,428, which was a budgeted revenue increase of \$15,450. This increase occurred as a result of the School District receiving additional revenue from the State of New Jersey that was not anticipated in the adopted 2014-15 fiscal year budget in the amount \$11,530, as other state aid revenue.

The final budgetary basis expenditure appropriation estimate was \$1,656,978, which remained unchanged from the original budgeted estimate. Actual expenditures incurred of \$2,010,883 exceed the final budget estimate by \$353,905.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During the fiscal year ended June 30, 2015, the School District had no recorded capital assets or capital asset activity.

Debt

During the fiscal year ended June 30, 2015, the School District had no recorded debt or debt service activity.

**HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In the fiscal year 2015, the School District was not able to sustain its budget through property taxes and state aid. The 2015-16 budget presented to the Board of Education in April 2015 was adjusted by the County Executive Superintendent in May 2015. After raising property taxes to the "CAP" limit in the fiscal year 2014-15 budget, property taxes were only be raised by 2% to support the 2015-16 budget. The School District started the shared services fund (enterprise fund) to help with alternate ways to fund the 2014-15 budget. The joint purchasing department's management fee will be used to help off-set prior year tuition adjustment approved by the County and individual schools, if continued.

The results of the 2014-15 school year continued to demonstrate the financial difficulties experienced by the District and resulted in an increased deficit.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Hi-Nella School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hi-Nella School District School Business Administrator, 705 South Warwick Road, Hi-Nella, New Jersey, 08083.

BASIC FINANCIAL STATEMENTS

DISTRICT - WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

HI-NELLA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 4,564	\$ 629	\$ 5,193
Receivables, Net	11,530	361,285	372,815
	<hr/>	<hr/>	<hr/>
Total Assets	16,094	361,914	378,008
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Accounts Payable	902,797	337,492	1,240,289
	<hr/>	<hr/>	<hr/>
Total Liabilities	902,797	337,492	1,240,289
	<hr/>	<hr/>	<hr/>
Net Position			
Unrestricted (Deficit)	(886,703)	24,422	(862,281)
	<hr/>	<hr/>	<hr/>
Total Net Position (Deficit)	\$ (886,703)	\$ 24,422	\$ (862,281)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying Notes to Financial Statements are an integral part of this statement.

**HI-NELLA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Governmental Activities:						
Support Services:						
Tuition	\$ 1,871,064	\$	\$	\$ (1,871,064)	\$	\$ (1,871,064)
Student & Instruction Related Services	3,030		3,030			
General Administrative Services	1,679			(1,679)		(1,679)
Pupil Transportation	138,140			(138,140)		(138,140)
Total Governmental Activities	2,013,913		3,030	(2,010,883)		(2,010,883)
Business-type Activities:						
Shared Services Division	4,433,338	4,457,076			23,738	23,738
Total Business-type Activities	4,433,338	4,457,076			23,738	23,738
Total Primary Government	\$ 6,447,251	\$ 4,457,076	\$ 3,030	\$ (2,010,883)	\$ 23,738	\$ (1,987,145)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 780,000	\$	\$ 780,000
Federal and State Aid not Restricted				865,294		865,294
Interest Earned				339	684	1,023
Miscellaneous Income				6,711		6,711
Total General Revenues, Special Items, Extraordinary Items and Transfers				1,652,344	684	1,653,028
Change in Net Position				(358,539)	24,422	(334,117)
Net Position—Beginning (Deficit)				(528,164)		(528,164)
Net Position—Ending (Deficit)				\$ (886,703)	\$ 24,422	\$ (862,281)

The accompanying Notes to Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund.

GOVERNMENTAL FUNDS

HI-NELLA SCHOOL DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 4,564	\$	\$ 4,564
State Aid Receivable	11,530		11,530
Total Assets	<u>\$ 16,094</u>	<u>\$</u>	<u>\$ 16,094</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 902,797	\$	\$ 902,797
Total Liabilities	<u>902,797</u>		<u>902,797</u>
Fund Balances:			
Unassigned Reported In:			
General Fund (Deficit)	(886,703)		(886,703)
Total Fund Balances (Deficit)	<u>(886,703)</u>		<u>(886,703)</u>
Total Liabilities and Fund Balances	<u>\$ 16,094</u>	<u>\$</u>	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Net Position of Governmental Activities	<u>\$ (886,703)</u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

HI-NELLA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Sources:			
Local Tax Levy	\$ 780,000	\$	\$ 780,000
Interest Earned	339		339
Miscellaneous	3,681	3,030	6,711
	784,020	3,030	787,050
Total - Local Sources			
State Sources	868,324		868,324
	1,652,344	3,030	1,655,374
Total Revenues			
EXPENDITURES			
Current:			
Support Services:			
Tuition	1,871,064		1,871,064
Student & Instruction Related Services		3,030	3,030
General Administrative Services	1,679		1,679
Pupil Transportation	138,140		138,140
	2,010,883	3,030	2,013,913
Total Expenditures			
Excess (Deficiency) of Revenues			
Over Expenditures	(358,539)		(358,539)
OTHER FINANCING SOURCES (USES)			
Total Other Financing Sources and Uses			
	(358,539)		(358,539)
Net Change in Fund Balances			
Fund Balance—July 1 (Deficit)	(528,164)		(528,164)
	(886,703)	\$	\$ (886,703)
Fund Balance—June 30 (Deficit)			

The accompanying Notes to Financial Statements are an integral part of this statement.

HI-NELLA SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (358,539)

Amounts reported for governmental activities in the Statement
of Activities (A-2) are different because:

Change in net assets of governmental activities (A-2) \$ (358,539)

The accompanying Notes to Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

HI-NELLA SCHOOL DISTRICT
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND
STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-Type Activities Enterprise Fund	
	Shared Services Division	Total Enterprise
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 629	\$ 629
Interfund Receivable from Payroll Account	1,157	1,157
Accounts Receivable	360,128	360,128
	<hr/>	<hr/>
Total Current Assets	361,914	361,914
	<hr/>	<hr/>
Total Assets	\$ 361,914	\$ 361,914
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 337,492	\$ 337,492
	<hr/>	<hr/>
Total Current Liabilities	337,492	337,492
	<hr/>	<hr/>
Net Position		
Unrestricted	24,422	24,422
	<hr/>	<hr/>
Total Net Positon	24,422	24,422
	<hr/>	<hr/>
Total Liabilities & Net Position	\$ 361,914	\$ 361,914
	<hr/> <hr/>	<hr/> <hr/>

The accompanying Notes to Financial Statements are an integral part of this statement

HI-NELLA SCHOOL DISTRICT
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities Enterprise Fund	
	Shared Services Division	Total Enterprise
Operating Revenues:		
Charges for Services:		
Buildings ad Grounds	\$ 3,038,776	\$ 3,038,776
Business Office	15,688	15,688
Fixed Asset	790	790
Miscellaneous	16,555	16,555
Resale Items	404,285	404,285
Security Projects	678,287	678,287
Shipping	2,543	2,543
Technology	300,152	300,152
Total Operating Revenue:	<u>4,457,076</u>	<u>4,457,076</u>
Operating Expenses:		
Cost of Sales	380,226	380,226
Purchased Professional Services	94,659	94,659
Other Purchased Services	234,386	234,386
Supplies and Materials	31,079	31,079
Technology Expense	270,499	270,499
Contracted Services	1,159,076	1,159,076
Business Office Expense	13,560	13,560
Buildings and Grounds	2,249,853	2,249,853
Total Operating Expenses	<u>4,433,338</u>	<u>4,433,338</u>
Operating Income (Loss)	<u>23,738</u>	<u>23,738</u>
Total Non-operating Revenues (Expenses)	<u>684</u>	<u>684</u>
Income (Loss) Before Contributions & Transfers	<u>24,422</u>	<u>24,422</u>
Change in Net Position	24,422	24,422
Total Net Position - Beginning		
Total Net Position - Ending	<u>\$ 24,422</u>	<u>\$ 24,422</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

HI-NELLA SCHOOL DISTRICT
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities Enterprise Funds	
	Shared Services Division	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 4,457,076	\$ 4,457,076
Payments to Suppliers	(4,461,559)	(4,461,559)
	(4,483)	(4,483)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Net Cash Provided by (Used for) Non-capital Financing Activities	684	684
Net Increase (Decrease) in Cash and Cash Equivalents	(3,799)	(3,799)
Balances—Beginning of Year	4,428	4,428
Balances—End of Year	\$ 629	\$ 629
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 23,738	\$ 23,738
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
(Increase)/Decrease in Accounts Receivable	(4,346)	(4,346)
(Increase)/Decrease in Interfund Receivable	(1,157)	(1,157)
(Increase)/Decrease in Prepaid Expenses	20,880	20,880
Increase/(Decrease) in Interfund Accounts Payable	(25,218)	(25,218)
Increase/(Decrease) in Accounts Payable	4,820	4,820
Increase/(Decrease) in Unearned Revenue	(23,200)	(23,200)
Total Adjustments	(28,221)	(28,221)
Net Cash Provided by (Used for) Operating Activities	\$ (4,483)	\$ (4,483)

The accompanying Notes to Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

HI-NELLA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Agency Funds Payroll</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,793
Total Assets	<u>1,793</u>
LIABILITIES AND NET POSITION:	
Interfund Payable - Enterprise Fund	1,157
Payroll Deductions	636
Total Liabilities and Net Position	<u>\$ 1,793</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hi-Nella School District (the "School District") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Description of the Reporting Entity

The School District is a Type II district located in the County of Camden, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education (the "Board"). The Board is comprised of five members elected to three-year terms. These terms are staggered so that two member's terms expire each year. The purpose of the School District is to provide educational services for resident students in grades kindergarten through twelfth. The Hi-Nella School District is considered a non-operating school district as all students in grades kindergarten through eight attend the Oaklyn School District and the Stratford School District, and all students in grades nine through twelve attend the Sterling Regional High School District, all on a tuition basis. The School District has an approximate enrollment at June 30, 2015 of 116 students.

The primary criterion for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School District over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Component Units

In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the School District has no component units, and is not a component unit of another governmental agency.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Government-wide and Fund Financial Statements

The School District's basic financial statements consist of government-wide statements, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the School District to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the School District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Measurable means that the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, claims and judgments are recorded only when payment is due.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Property taxes, tuition, reimbursable-type grants, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following major governmental funds:

General Fund - The general fund is the primary operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America, as they pertain to governmental entities, state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, ad valorem tax revenues, and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to, or remodeling of buildings, and the purchase of built-in equipment.

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Revenue sources may be from Local, State of New Jersey or Federal programs.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, or from the general fund by way of transfers from capital outlay or the capital reserve account.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Proprietary funds are used to account for the School District's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All items not meeting this definition are reported as nonoperating revenues and expenses.

The School District reports the following major proprietary fund:

Shared Services Fund - This enterprise fund accounts for the financial activity related to the providing of buildings and grounds, business office, fixed asset reporting, technology, and other services to other governmental entities.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue (only if needed), and debt service funds (only if needed), and are submitted to the county office of education. In accordance with P.L. 2011, c. 202, the School District passed a resolution to move the school board election to the first Tuesday after the first Monday in November, starting in November of 2012, to be held simultaneously with the general election. As a result, a vote is not required on the School District's general fund tax levy for the budget year, other than the general fund tax levy required to support a proposal for additional funds, if any. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only, and the special revenue fund. N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the special revenue fund are maintained on the budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on exhibit C-1, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the School District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting, with the exception of the aforementioned revenue recognition policy for the one or more June state aid payments.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance at fiscal year-end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Encumbrances (Cont'd)

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected on the balance sheet as unearned revenues at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

Cash, Cash Equivalents and Investments

Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 1BA:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (non-allocation method). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund within the School District, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances, thus leaving a net amount due between the governmental and business-type activities that are eliminated in the total government column. Balances with fiduciary activities are not considered to be internal balances; therefore, such balances appear on the statement of net position.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Tuition Payable

Tuition charges for the fiscal years ended June 30, 2015, 2014, 2013 and 2012 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the School District is eligible to realize the revenue.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. As of June 30, 2015, no such accrued liabilities or long-term obligations exist.

Net Position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net Investment in Capital Assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fund Balance (Cont'd)

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position, approved by the Board of Education.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed; or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the School District to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, and then unassigned.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impact of Recently Issued Accounting Principles

The district adopted the following GASB statements:

- GASB 67, Financial Reporting for Pension Plans, an Amendment of GASB 25, will be effective beginning with the year ending June 30, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision- useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 25, Financial reporting for Deferred Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and No.50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The adoption of GASB 67, however, does not have any impact on the School District's financial statements.
- GASB 68, Accounting and Financial reporting for Pensions, will be effective beginning with the year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions hat is provided by other state entities. This Statement replaces the requirements of Statement No.27, Accounting for Pension Disclosures, and Local Governmental Employers, as well as the requirements of Statement No.50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The adoption of GASB 68, will impact the financial statements of the School District's.
- In November 2013, the GASB issued Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. GASBS 71 is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This Statement is effective for fiscal years beginning after June 15, 2014. The adoption of GASB 71, will impact the financial statements of the School District's.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 69, Government Combinations and disposals of Government Operations, is effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The District is currently evaluating the impact of the adoption of this Statement on the School District's financial statements, although no impact is expected.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 t seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies. The program is administered by the Commissioner of the NJ Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. As of June 30, 2015, the District's bank balance of \$185,390 was not exposed to custodial credit risk.

Note 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consisted of amounts due from other governmental entities. All receivables are considered collectible in full. Accounts receivable as of fiscal year end for the School District's individual major funds, in the aggregate, are as follows:

Description	Governmental Funds		Proprietary Fund		Total
	General Fund	Total Governmental Activities	Shared Service Fund	Total Business-Type Activities	
State Awards	\$ 11,530	\$ 11,530			\$ 11,530
Local Governments			360,128	360,128	360,128
	<u>\$ 11,530</u>	<u>\$ 11,530</u>	<u>\$ 360,128</u>	<u>\$ 360,128</u>	<u>\$ 371,658</u>

Note 4: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The School District maintains commercial insurance coverage for property, liability, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

Joint Insurance Pool - The School District is a member of the New Jersey School Boards Association Insurance Group. The Fund provides its members with the following coverage:

- Comprehensive General Liability Property
- Automobile Equipment Breakdown
- Electronic Data Processing Crime
- Comprehensive General Liability Automobile

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The School District is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if necessary. The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

The Fund publishes its own financial report for the fiscal year ended June 30, 2015, which can be obtained from:

New Jersey School Boards Association Insurance Group
450 Veterans Drive
Burlington, New Jersey 08016

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 5: INTERFUND RECEIVABLES PAYABLES

At June 30, 2015, an interfund balance in the amount of \$1,157 existed between the payroll fund and the enterprise fund.

Note 6: RELATED PARTY TRANSACTIONS

The School District's shared services enterprise fund has entered into a joint purchasing management and services contract with a local family-based New Jersey professional corporation. The corporation is owned by the immediate family members of the former board secretary of the School District. During the tenure of the former board secretary, which was from July 1, 2013 through February 10, 2014, the School District approved shared services contracts in the amount of \$91,602 to the corporation. As of June 30, 2015, there was no amount due to the corporation for contracts awarded during the aforementioned timeframe. This joint management and services contract agreement continued in force during the 2014-15 school year through the present.

Note 7: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amount, if any, to be immaterial.

Litigation - The School District is a defendant in legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the School District, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 8: CONCENTRATIONS

The School District depends on financial resources flowing from, or associated with, the State of New Jersey. As a result of this dependency, the School District is subject to changes in specific flows of intergovernmental revenues based on modifications to State laws appropriations.

Note 9: DEFICIT FUND BALANCE

The School District has a deficit fund balance of \$886,703 in the general fund as of June 30, 2015 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. As a result of N.J.S.A. 18A:22-44.2, a general fund balance deficit that exists due to the timing difference of recording the June state aid payments does not alone indicate that a school district is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2, any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$886,703, however, exceeds the amount resulting from the delay in the June state aid payments, which total \$85,686. As a result, management of the School District is required to take corrective action to fund the deficit.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 10: FUND BALANCES

ASSIGNED

As stated in Note 1, the assigned fund balance classification includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed.

Specific assignments of the School District's fund balance are summarized as follows: General Fund - For Subsequent Year's Expenditures – At June 30, 2015, the School District had no available surplus funds to appropriate and include as anticipated revenue for the fiscal year ending June 30, 2016.

UNASSIGNED

As stated in Note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

General Fund - As of June 30, 2015, an unassigned general fund deficit in the amount of \$886,703 exists.

Note 11: DISSOLUTION OF NON-OPERATING SCHOOL DISTRICTS

In 2009, the Governor of the State of New Jersey signed legislation establishing procedures for merging the school districts with larger, neighboring districts where children from the non-operating districts already attend classes. The legislation was to ensure compliance with a 2007 law that included numerous requirements to enhance efficiency and accountability in the operation of school districts. The Hi-Nella School District was among several non-operating school districts in the State of New Jersey identified for possible dissolution. Although no formal plan of dissolution has been currently established for the Hi-Nella School District, there is the potential, however, that the School District could be dissolved in the future pending a report from the Executive County Superintendent.

Note 12: ECONOMIC DEPENDENCY

The results of the 2014-15 school year reflect a budget basis deficit in the amount of \$801,017, which indicates that sufficient funds are not available to meet its obligations of liquidating tuition accounts payable.

End of Notes to Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

HI-NELLA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 780,000	\$	\$ 780,000	\$ 780,000	\$
Interest Income				339	339
Miscellaneous	100		100	3,681	3,581
Total - Local Sources	780,100		780,100	784,020	3,920
State Sources:					
Categorical Special Education Aid	56,918		56,918	56,918	
Equalization Aid	678,269		678,269	678,269	
Categorical Security Aid	23,730		23,730	23,730	
Transportation Aid	37,528		37,528	37,528	
Under Adequacy Aid	58,093		58,093	58,093	
PARCC Readiness Aid	1,170		1,170	1,170	
Per Pupil Growth Aid	1,170		1,170	1,170	
Other State Aid:					
Extraordinary Aid				11,356	11,356
Non-Public Transportation Aid				174	174
Total - State Sources	856,878		856,878	868,408	11,530
Federal Sources:					
TOTAL REVENUES	1,636,978		1,636,978	1,652,428	15,450
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Instruction:					
Tuition - Other LEAs Within the State - Regular	1,007,193	102,980	1,110,173	1,555,439	(445,266)
Tuition - Other LEAs Within the State - Special	287,726	(69,500)	218,226	196,121	22,105
Tuition - Co Spec Serv and Regional Day Schools	48,080	(33,480)	14,600		14,600
Tuition - Private Schls/Handicapped within State	166,399	(7,121)	159,278	119,504	39,774
Tuition - State Facilities	1,750		1,750		1,750
Total Undistributed Expenditures - Instruction	1,511,148	(7,121)	1,504,027	1,871,064	(367,037)
Other Support Services - Students-Related:					
Purchased Professional - Educational Services	6,000		6,000		6,000
Total Other Support Services-Students-Related Services	6,000		6,000		6,000

HI-NELLA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)

	<u>Original</u> <u>Budget</u>	<u>Budget</u> <u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Final to Actual</u> <u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Undistributed Expenditures: (Continued)					
Support Services General Administration:					
Salaries	\$ 1,200	\$	\$ 1,200	\$ 1,200	
Legal Services	500		500		500
Audit Fees	2,000		2,000		2,000
Communications / Telephone	500	(120)	380		380
Other Purchased Services	100		100	91	9
General Supplies	100		100		100
Miscellaneous Expenditures	275	120	395	388	7
Total Support Services General Administration	<u>4,675</u>		<u>4,675</u>	<u>1,679</u>	<u>2,996</u>
Central Services:					
Miscellaneous Purchased Services		1	1		1
Total Central Services		<u>1</u>	<u>1</u>		<u>1</u>
Student Transportation Services:					
Contracted Services (Home/School) - Joint Agreements	3,500	2,400	5,900	5,896	4
Contracted Services (Special Ed. Students) - Joint Agreements	45,000	(2,400)	42,600	40,497	2,103
Contracted Services (Reg. Students) ESCs & CTSA	35,900		35,900	35,162	738
Contracted Services (Special Ed. Students) ESCs & CTSA	49,000	7,121	56,121	56,121	
Contr Serv - Aid in Lieu of Payments - Nonpublic	1,755	(1)	1,754	464	1,290
Total Student Transportation Services	<u>\$ 135,155</u>	<u>\$ 7,120</u>	<u>\$ 142,275</u>	<u>\$ 138,140</u>	<u>\$ 4,135</u>
TOTAL EXPENDITURES - CURRENT EXPENSE	<u>1,656,978</u>		<u>1,656,978</u>	<u>2,010,883</u>	<u>(353,905)</u>
Excess (Deficiency) of Revenues and Other Over (Under) Expenditures	<u>(20,000)</u>		<u>(20,000)</u>	<u>(358,455)</u>	<u>(338,455)</u>
Other Financing Sources (Uses):					
Net Change in Fund Balance	<u>(20,000)</u>		<u>(20,000)</u>	<u>(358,455)</u>	<u>(338,455)</u>
Fund Balances, July 1 (Deficit)	<u>(442,562)</u>		<u>(442,562)</u>	<u>(442,562)</u>	
Fund Balances, June 30 (Deficit)	<u>\$ (462,562)</u>	<u>\$</u>	<u>\$ (462,562)</u>	<u>\$ (801,017)</u>	<u>\$ (338,455)</u>
Recapitulation:					
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures					
Unassigned Fund Balance (Deficit)				<u>\$ (801,017)</u>	
				<u>(801,017)</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				<u>(85,686)</u>	
Fund Balance per Governmental funds (GAAP) (Deficit)				<u>\$ (886,703)</u>	

HI-NELLA SCHOOL DISTRICT
SPECIAL REVENUE FUND
AS OF JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$ 3,030	\$	\$ 3,030	\$ 3,030	\$
Total Revenues	<u>3,030</u>		<u>3,030</u>	<u>3,030</u>	
EXPENDITURES:					
Support Services					
Transportation	3,030		3,030	3,030	
Total Support Services	<u>3,030</u>		<u>3,030</u>	<u>3,030</u>	
Total Expenditures	<u>3,030</u>		<u>3,030</u>	<u>3,030</u>	
Other Financing Sources (Uses)					
Total Outflows	<u>3,030</u>		<u>3,030</u>	<u>3,030</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

HI-NELLA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FISCAL YEAR ENDED JUNE 30, 2015

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

		<u>General Fund</u>			<u>Special Revenue Fund</u>
Sources/inflows of resources					
Actual amounts (budgetary basis) "revenue"					
from the budgetary comparison schedule	[C-1] \$	1,652,428	[C-2] \$		3,030
Difference - budget to GAAP:					
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.					
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.		85,602			
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until subsequent year.		(85,686)			
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$	<u>1,652,344</u>	[B-2] \$		<u>3,030</u>
Uses/outflows of resources					
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$	2,010,883	[C-2] \$		3,030
Differences - budget to GAAP					
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.					
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.					
Net transfers (outflows) to general fund					
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] \$	<u>2,010,883</u>	[B-2] \$		<u>3,030</u>

SPECIAL REVENUE FUND DETAIL STATEMENTS

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

HI-NELLA SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)

	<u>Safety Grant</u>	<u>Total</u>	
		<u>2015</u>	<u>2014</u>
REVENUES:			
Local Programs	\$ 3,030	\$ 3,030	\$ _____
Total Revenues	<u>\$ 3,030</u>	<u>\$ 3,030</u>	<u>\$ _____</u>
EXPENDITURES:			
Support Services:			
Transportation	3,030	3,030	_____
Total Support Services	<u>3,030</u>	<u>3,030</u>	_____
Facilities Acquisition and Const. Serv. Non-Instructional Equipment			
Total Expenditures	<u>\$ 3,030</u>	<u>\$ 3,030</u>	<u>\$ _____</u>

PROPRIETARY FUND DETAIL STATEMENTS

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the district’s board is that the costs of providing goods or services be financed through user charges.

Shared Services Fund – This enterprise fund accounts for the financial activity related to the providing of buildings and grounds, business office, fixed asset reporting, technology, and other services to other governmental entities.

ENTERPRISE FUNDS

HI-NELLA SCHOOL DISTRICT
ENTERPRISE FUND
COMBINED SCHEDULE OF NET POSITION
AS OF JUNE 30, 2015 AND 2014

	Shared Services Fund	Total	
		2015	2014
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 629	\$ 629	\$ 4,428
Accounts Receivable	360,128	360,128	355,782
Interfund Receivable - Payroll Agency	1,157	1,157	
Prepaid Expenses			20,880
Total Current Assets	<u>361,914</u>	<u>361,914</u>	<u>381,090</u>
Fixed Assets:			
Equipment			
Accumulated Depreciation			
Total Fixed Assets			
Total Assets	<u>361,914</u>	<u>361,914</u>	<u>381,090</u>
LIABILITIES:			
Current Liabilities:			
Interfund Accounts Payable			25,218
Accounts Payable	337,492	337,492	332,672
Unearned Revenue			23,200
Total Current Liabilities	<u>337,492</u>	<u>337,492</u>	<u>381,090</u>
Total Liabilities	<u>337,492</u>	<u>337,492</u>	<u>381,090</u>
NET POSITION:			
Unrestricted	24,422	24,422	
Total Net Position	<u>\$ 24,422</u>	<u>\$ 24,422</u>	<u>\$</u>

HI-NELLA SCHOOL DISTRICT
ENTERPRISE FUND
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	Shared Services Fund	Total	
		2015	2014
OPERATING REVENUES:			
Local Sources:			
Buildings ad Grounds	\$ 3,038,776	\$ 3,038,776	\$ 297,621
Business Office	15,688	15,688	27,410
Fixed Asset	790	790	27,035
Miscellaneous	16,555	16,555	6,480
Resale Items	404,285	404,285	126,541
Security Projects	678,287	678,287	607,192
Shipping	2,543	2,543	257
Technology	300,152	300,152	43,931
Total Operating Revenue	4,457,076	4,457,076	1,136,467
OPERATING EXPENSES:			
Cost of Sales	380,226	380,226	927,213
Purchased Professional Services	94,659	94,659	84,179
Other Purchased Services	234,386	234,386	
Supplies and Materials	31,079	31,079	123
Technology Expense	270,499	270,499	
Contracted Services	1,159,076	1,159,076	
Business Office Expense	13,560	13,560	
Buildings and Grounds	2,249,853	2,249,853	
Total Operating Expenses	4,433,338	4,433,338	1,011,515
Operating Income/(Loss)	23,738	23,738	124,952
NON-OPERATING REVENUES:			
Interest & Investment Earnings	684	684	15
Donations			3,050
Total Non-Operating Revenues	684	684	3,065
Net (Loss) Income	24,422	24,422	128,017
Transfers Out:			
General Fund			(128,017)
Net Position - July 1			
Net Position - June 30	\$ 24,422	\$ 24,422	\$

HI-NELLA SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF CASH FLOWS
AS OF JUNE 30, 2015

	Shared Services Fund	Total	
		2015	2014
Cash Flows from Operating Activities:			
Operating Income (Loss)	\$ 23,738	\$ 23,738	\$ 124,953
Adjustments to Reconcile Operating Income (Loss) to Cash Used by Operating Activities:			
Change in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	(4,346)	(4,346)	(355,782)
(Increase)/Decrease in Interfund Receivable	(1,157)	(1,157)	
(Increase)/Decrease in Prepaid Expenses	20,880	20,880	(20,880)
Increase/(Decrease) in Interfund Accounts Payable	(25,218)	(25,218)	
Increase/(Decrease) in Accounts Payable	4,820	4,820	332,672
Increase/(Decrease) in Unearned Revenue	(23,200)	(23,200)	23,200
Net Cash Used by Operating Activities	(4,483)	(4,483)	104,163
Net Cash Provided by Noncapital Financing Activities			(99,750)
Net Cash Provided by (Used for) Investing Activities	684	684	15
Net Increase/(Decrease) in Cash	(3,799)	(3,799)	4,428
Cash and Cash Equivalents, July 1	4,428	4,428	
Cash and Cash Equivalents, June 30	\$ 629	\$ 629	\$ 4,428

FIDUCIARY FUNDS DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments an/or other funds.

Payroll Fund – This agency fund is used to account for the payroll transactions of the school district.

HI-NELLA SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015
(with comparative totals for June 30, 2014)

	<u>Totals</u>	
	<u>2015</u>	<u>2014</u>
ASSETS:		
Cash and Cash Equivalents	\$ 1,793	\$
Total Assets	<u>1,793</u>	<u></u>
LIABILITIES AND NET POSITION:		
Liabilities:		
Interfund Payable- Enterprise Fund	1,157	
Payroll Deductions	636	
Total Liabilities	<u>1,793</u>	<u></u>
Total Liabilities and Net Position	<u>\$ 1,793</u>	<u>\$</u>

HI-NELLA SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
ASSETS:				
Cash and Cash Equivalents	\$	\$ 37,952	\$ 36,159	\$ 1,793
Total Assets	\$	\$ 37,952	\$ 36,159	\$ 1,793
LIABILITIES:				
Due to Enterprise Fund	\$	\$ 1,157	\$	\$ 1,157
Payroll Deductions and Withholdings		36,795	36,159	636
Total Liabilities	\$	\$ 37,952	\$ 36,159	\$ 1,793

STATISTICAL SECTION

HI-NELLA SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ended June 30,																			
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006										
Governmental Activities																				
Restricted	\$		\$		\$	100,000	\$	327,465	\$	175,875	\$	100,000	\$	100,000	\$	114,356				
Unrestricted		(886,703)		(528,164)		14,622		(32,223)		(51,764)		(50,669)		170,710		199,013		159,087		63,818
Total Governmental Activities Net Position	\$	(886,703)	\$	(528,164)	\$	14,622	\$	(32,223)	\$	48,236	\$	276,796	\$	346,585	\$	299,013	\$	259,087	\$	178,174
Business-Type Activities																				
Unrestricted	\$	24,422	\$		\$		\$		\$		\$		\$		\$		\$		\$	
Total Business-Type Activities Net Position	\$	24,422	\$		\$		\$		\$		\$		\$		\$		\$		\$	
District-Wide																				
Restricted	\$		\$		\$	100,000	\$	327,465	\$	175,875	\$	100,000	\$	100,000	\$	100,000	\$	114,356		
Unrestricted		(862,281)		(528,164)		14,622		(32,223)		(51,764)		(50,669)		170,710		199,013		159,087		63,818
Total District-Wide Net Position	\$	(862,281)	\$	(528,164)	\$	14,622	\$	(32,223)	\$	48,236	\$	276,796	\$	346,585	\$	299,013	\$	259,087	\$	178,174

Source: CAFR Schedule A-1

HI-NELLA SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities										
Support Services										
Tuition	\$ 1,363,405	\$ 1,305,454	\$ 1,380,100	\$ 1,123,084	\$ 1,214,137	\$ 1,176,248	\$ 1,098,098	\$ 1,260,005	\$ 2,179,361	\$ 1,871,064
Student and Instruction Related Services	170	95							4,393	3,030
General and Business Administrative Services	30,827	32,081	35,952	36,005	62,525	58,880	25,160	16,998	15,446	1,679
School Administrative Services							25,280	24,720	28,840	
Plant Operations and Maintenance						159,000	103,155			
Pupil Transportation	112,932	77,634	79,424	86,904	103,081	91,452	117,217	81,070	97,107	138,140
Total Governmental Activities Expenses	1,507,334	1,415,264	1,495,476	1,245,993	1,379,743	1,485,580	1,368,910	1,382,793	2,325,147	2,013,913
Business-Type Activities										
Total District Expenses	\$ 1,507,334	\$ 1,415,264	\$ 1,495,476	\$ 1,245,993	\$ 1,379,743	\$ 1,485,580	\$ 1,368,910	\$ 1,382,793	\$ 3,336,661	\$ 6,447,251
Program Revenues										
Governmental Activities										
Operating Grants and Contributions	\$	\$	\$	\$	\$	\$	\$	\$	\$ 35,283	\$ 3,030
Total Governmental Activities Program Revenues									35,283	3,030
Business-Type Activities										
Total District Program Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$ 1,171,750	\$ 4,460,106
Net (Expense)/Revenue										
Governmental Activities										
Total District-Wide Net Expense	\$ (1,507,334)	\$ (1,415,264)	\$ (1,495,476)	\$ (1,245,993)	\$ (1,379,743)	\$ (1,485,580)	\$ (1,368,910)	\$ (1,382,793)	\$ (2,289,864)	\$ (2,010,883)
Business-Type Activities										
									124,953	23,738
General Revenues and Other Changes in Net Position										
Governmental Activities										
Property Taxes Levied for General Purposes, n	\$ 824,183	\$ 741,785	\$ 713,642	\$ 502,485	\$ 502,485	\$ 502,485	\$ 502,485	\$ 571,678	\$ 772,421	\$ 780,000
Unrestricted Grants and Contributions	738,617	742,281	795,403	778,837	794,108	730,722	783,198	792,386	846,346	865,294
Interest Earned										339
Miscellaneous Income	9,190	12,111	26,357	12,242	13,361	23,813	2,768	65,573	293	6,711
Transfers									128,018	
Total Governmental Activities	1,571,990	1,496,177	1,535,402	1,293,564	1,309,954	1,257,020	1,288,451	1,429,637	1,747,078	1,652,344
Total Business-Type Activities										
Interest Earned										684
Transfers									(124,953)	
Total District-Wide	\$ 1,571,990	\$ 1,496,177	\$ 1,535,402	\$ 1,293,564	\$ 1,309,954	\$ 1,257,020	\$ 1,288,451	\$ 1,429,637	\$ 1,622,125	\$ 1,653,028
Change in Net Position										
Governmental Activities										
Total District-Wide	\$ 64,656	\$ 80,913	\$ 39,926	\$ 47,571	\$ (69,789)	\$ (228,560)	\$ (80,459)	\$ 46,844	\$ (542,786)	\$ (358,539)
Business-Type Activities										
									24,422	
Total District-Wide	\$ 64,656	\$ 80,913	\$ 39,926	\$ 47,571	\$ (69,789)	\$ (228,560)	\$ (80,459)	\$ 46,844	\$ (542,786)	\$ (334,117)

Source: CAFR Schedule A-2

HI-NELLA SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ended June 30,									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund										
Restricted	\$ 32,356	\$	\$	\$ 7,410	\$	\$	\$	\$	\$	\$
Assigned	82,000	100,000	100,000	168,465	327,465	100,000	20,000	20,000	20,000	
Unassigned	63,818	159,087	199,013	170,710	(50,669)	(51,764)	(52,223)	(5,378)	(548,164)	(886,703)
Total General Fund	<u>\$ 178,174</u>	<u>\$ 259,087</u>	<u>\$ 299,013</u>	<u>\$ 346,585</u>	<u>\$ 276,796</u>	<u>\$ 48,236</u>	<u>\$ (32,223)</u>	<u>14,622</u>	<u>(528,164)</u>	<u>(886,703)</u>

Source: CAFR Schedule B-1

HI-NELLA SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Tax Levy	\$ 824,183	\$ 741,785	\$ 713,642	\$ 502,485	\$ 502,485	\$ 502,485	\$ 502,485	\$ 571,678	\$ 772,421	\$ 780,000
Tuition									35,283	
Interest										339
Miscellaneous	9,190	12,111	26,357	12,242	13,361	23,813	2,768	65,573	293	6,711
State Sources	738,617	741,237	795,403	819,928	691,330	730,722	755,861	792,386	846,346	868,324
Federal Sources					102,778		27,337			
Total Revenues	1,571,990	1,495,133	1,535,402	1,334,655	1,309,954	1,257,020	1,288,451	1,429,637	1,654,343	1,655,374
Expenditures										
Support Services										
Tuition	1,363,405	1,305,454	1,380,100	1,123,084	1,214,137	1,176,248	1,098,098	1,260,004	2,179,361	1,871,064
Student and Instruction Related Services	170	95							4,393	3,030
General Administrative Services	30,827	32,081	35,952	36,004	62,525	58,880	25,160	16,998	15,446	1,679
School Administrative Services							25,280	24,720	28,840	
Plant Operations and Maintenance						159,000	103,155			
Pupil Transportation	112,932	77,634	79,424	86,904	103,081	91,452	117,217	81,070	97,107	138,140
Total Expenditures	1,507,334	1,415,264	1,495,476	1,245,992	1,379,743	1,485,580	1,368,910	1,382,792	2,325,147	2,013,913
Excess (Deficiency) of Revenues Over (Under) Expenditures	64,656	79,869	39,926	88,663	(69,789)	(228,560)	(80,459)	46,845	(670,804)	(358,539)
Other Financing Sources (Uses)										
Transfers									128,018	
Total Other Financing Sources (Uses)									128,018	
Net Change in Fund Balances	\$ 64,656	\$ 79,869	\$ 39,926	\$ 88,663	\$ (69,789)	\$ (228,560)	\$ (80,459)	\$ 46,845	\$ (542,786)	\$ (358,539)
Debt Service as a Percentage of Noncapital Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: CAFR Schedule B-2

HI-NELLA SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Rentals</u>	<u>Prior Year</u> <u>Orders</u> <u>Cancelled</u>	<u>Prior Year</u> <u>Receivable</u> <u>Adjustment</u>	<u>Refund of</u> <u>Prior Year</u> <u>Expenditure</u>	<u>Safety</u> <u>Grant</u>	<u>Misc.</u>	<u>Total</u>
2015	\$ 339	\$	\$	\$	\$	\$	\$ 3,681	\$ 4,020
2014	125				168			293
2013	223		65,000				350	65,573
2012	550					2,098	120	2,768
2011	513				21,120	2,180		23,813
2010	1,056				9,941	2,152	212	13,361
2009	2,875				9,367			12,242
2008	10,504				15,853			26,357
2007	12,111							12,111
2006	7,264				31		1,895	9,190

Source: District Records

HI-NELLA SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2015	\$ 135,800	\$ 18,942,700	\$ 154,100	\$ 15,300	\$ 3,324,200	\$ 355,800	\$ 16,798,000	\$ 39,725,900	\$	\$	\$ 39,725,900	\$ 2.227	\$ 38,497,650
2014	135,800	18,942,700	154,100	15,300	3,324,200	355,800	16,798,000	39,725,900	5,247,900		39,725,900	1.964	38,490,074
2013	135,800	18,932,700	144,100	15,300	3,368,800	355,800	16,798,000	39,750,500	5,247,900	60,958	39,811,458	1.940	39,338,709
2012	135,800	18,953,600	144,100	15,300	3,368,800	355,800	16,798,000	39,771,400	5,247,900	69,350	39,840,750	1.348	43,634,122
2011	34,300	11,705,400	140,000	11,600	2,864,600		8,294,900	23,050,800	4,022,600	39,656	23,090,456	2.176	39,262,466
2010	34,300	11,705,400	140,000	11,600	4,913,200		6,104,900	22,909,400	4,022,600	53,688	22,963,088	2.188	35,710,517
2009	34,300	11,720,400	140,000	11,600	4,754,800		6,104,900	22,766,000	4,022,600	48,406	22,814,406	2.201	40,579,712
2008	34,300	11,718,400	140,000	11,600	4,754,800		6,104,900	22,764,000	4,022,600	42,363	22,806,363	2.666	42,653,806
2007	34,300	11,718,400	140,000	11,600	4,754,800		6,104,900	22,764,000	4,022,600	43,808	22,807,808	2.666	39,127,245
2006	34,330	11,718,400	140,000	11,600	5,075,800		6,104,900	23,085,030	4,022,600	47,626	23,132,656	3.190	35,654,698

Source: District records Tax list summary & Municipal Tax Assessor

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100

HI-NELLA SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate Per \$100 of Assessed Value)
(Unaudited)

Year Ended June 30,	Hi-Nella Board of Education			Overlapping Rates		
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Hi-Nella	Camden County	Total
2015	\$ 2.227		\$ 2.227	\$ 1.238	\$ 0.853	\$ 4.318
2014	1.964		1.964	1.205	0.808	3.977
2013	1.940		1.940	1.180	0.823	3.943
2012	1.348		1.348	1.150	0.845	3.343
2011	2.176		2.176	1.779	1.213	5.168
2010	2.188		2.188	1.715	1.015	4.918
2009	2.201		2.201	1.621	1.102	4.924
2008	2.666		2.666	1.487	1.191	5.344
2007	2.666		2.666	1.336	1.194	5.196
2006	3.190		3.190	1.210	1.246	5.646

Source: District Records and Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the pre-budget year net budget by more than the spending growth limitation calculation.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

HI-NELLA SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

<u>Taxpayer</u>	<u>2015</u>		<u>2006</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
East Coast Fox Ridge Apartments	\$ 11,712,600	29.48%	\$	
South Penn Associates, LLC	4,800,000	12.08%		
Cammarata, Guisepppe	650,000	1.64%		Not Available
Sterling Storage	513,600	1.29%		
Educational Business Services	441,000	1.11%		
Hi-Nella Properties	387,000	0.97%		
SRA Realty Holdings, LLC	355,800	0.90%		
Rubinson, Victor	285,400	0.72%		
Leap-UP LLC	251,500	0.63%		
Jacob Michael Import Clinic	225,800	0.57%		
	<u>\$ 19,622,700</u>	<u>49.40%</u>	<u>\$</u>	

Source: County Tax Assessor

HI-NELLA SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	% of Levy	
2015	\$ 780,000	\$ 780,000	100.00%	\$
2014	772,421	772,050	99.95%	371
2013	571,678	571,678	100.00%	
2012	502,485	502,485	100.00%	
2011	502,485	502,485	100.00%	
2010	502,485	502,485	100.00%	
2009	502,485	502,485	100.00%	
2008	713,642	713,642	100.00%	
2007	741,785	741,785	100.00%	
2006	824,183	824,183	100.00%	

Source: District records including the Certificate and Report of School Taxes (A4F form)

HI-NELLA SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities	Total District	Percentage of Personal Income " Per Capita "	
	General Obligation Bonds "	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2015							
2014							
2013							
2012							
2011							
2010							
2009							
2008							
2007							
2006							
2005							

N/A

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

HI-NELLA SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	<u>General Bonded Debt Outstanding</u>		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2015	\$				
2014					
2013					
2012			N/A		
2011					
2010					
2009					
2008					
2007					
2006					

HI-NELLA SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2015
(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Hi-Nella (1)	\$ 304,000	100%	\$ 304,000.00
Other debt			
Camden County - Borough's Share (2)	246,860,397	0.10%	258,108.16
Subtotal, Overlapping Debt			<u>562,108.16</u>
Hi-Nella School District Direct Debt			<u>-</u>
Total Direct and Overlapping Debt			<u><u>\$ 562,108.16</u></u>

Sources:

- 1 Hi-Nella Finance Officer and Camden County Finance Office
- 2 County of Camden

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Newfield. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

**HI-NELLA SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

Legal Debt Margin Calculation for Fiscal Year 2015

	Equalized Valuation Basis (1)	
	2014	\$ 38,389,930
	2013	38,402,570
	2012	39,152,786
	[A]	\$ 115,945,286
Average Equalized Valuation of Taxable Property	[A/3]	\$ 38,648,429
Debt Limit (3% of Average Equalization Value)	[B]	1,159,453 (2)
Net Bonded School Debt	[C]	-
Legal Debt Margin	[B-C]	\$ 1,159,453

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 956,066	\$ 1,066,220	\$ 1,174,968	\$ 1,223,339	\$ 1,181,205	\$ 1,144,850	\$ 1,175,631	\$ 1,214,138	\$ 1,209,737	1,159,453
Total Net Debt Applicable to Limit (3)										
Legal Debt Margin	\$ 956,066	\$ 1,066,220	\$ 2,050,924	\$ 2,050,924	\$ 1,181,205	\$ 1,144,850	\$ 1,175,631	\$ 1,214,138	\$ 1,209,737	1,159,453
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1 2014 Annual Debt Statement of Hi-Nella Borough

2 Limit set by NJS A 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

3 School District Records

HI-NELLA SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

<u>Year</u>		<u>Population ^a</u>		<u>Personal Income (thousands of dollars) ^b</u>		<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2015	**	853	\$	39,325,859	\$	46,103	11.1%
2014		858		39,443,976		45,972	11.0%
2013		864		39,350,016		45,544	4.6%
2012		867		39,069,621		45,063	18.3%
2011		868		38,390,772		44,229	18.4%
2010		869		36,697,870		42,230	17.6%
2009		1,000		42,036,000		42,036	11.6%
2008		1,000		42,056,000		42,056	8.9%
2007		1,005		41,001,990		40,798	9.7%
2006		1,007		39,649,618		39,374	7.3%

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income

^c Per Capita

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

** Estimate

HI-NELLA SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

<u>Employer</u>	<u>2015</u>		<u>2006</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
	Not Available			

HI-NELLA SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
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Not applicable, as the Hi-Nella School District did not employ any individuals for the last ten years.

HI-NELLA SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures</u> ^a	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u> ^b	<u>Pupil/Teacher Ratio Elementary</u>	<u>Average Daily Enrollment (ADE)</u> ^c	<u>Average Daily Attendance (ADA)</u> ^c	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2015	116	\$ 2,013,913	\$ 17,361	-17.87%	0	N/A	N/A	N/A	N/A	N/A
2014	110	2,325,147	21,138	103.90%	0	N/A	N/A	N/A	N/A	N/A
2013	130	1,382,792	10,367	-15.94%	0	N/A	N/A	N/A	N/A	N/A
2012	111	1,368,910	12,333	-19.47%	0	N/A	N/A	N/A	N/A	N/A
2011	97	1,485,580	15,315	11.00%	0	N/A	N/A	N/A	N/A	N/A
2010	100	1,379,743	13,797	1.88%	0	N/A	N/A	N/A	N/A	N/A
2009	92	1,245,992	13,543	-4.00%	0	N/A	N/A	N/A	N/A	N/A
2008	106	1,495,476	14,108	17.63%	0	N/A	N/A	N/A	N/A	N/A
2007	118	1,415,264	11,994	5.04%	0	N/A	N/A	N/A	N/A	N/A
2006	132	1,507,334	11,419	15.71%	0	N/A	N/A	N/A	N/A	N/A

Sources: District records

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-2

b Hi-Nella is a Non-operating School District and does not employ any Teaching staff.

HI-NELLA SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

<u>District Building</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
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Not applicable, as the Hi-Nella School District does not own any buildings or maintain any school facilities.

Hi-Nella School District is a Non-operating School District

HI-NELLA SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
(Unaudited)

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-XXX

School Facilities	Gross Square Footage	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
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Not applicable, as the Hi-Nella School District does not own any buildings or maintain any school facilities.

Hi-Nella School District is a Non-operating School District

HI-NELLA SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)

Company	Type of Coverage	Coverage	Deductible
NJSBAIG	School Package Policy		
	Comprehensive General Liability	\$ 6,000,000	\$ 1,000
	Automobile Liability	6,000,000	
	School Leaders Errors & Omissions Liability	1,000,000	5,000
Western Surety Company	Surety Bonds		
	Board Secretary	60,000	
	Treasurer	155,000	

Source: District Records

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245
www.colavita.net

November 13, 2015

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Hi-Nella School District
County of Camden, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Hi-Nella School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board of Education of the Hi-Nella School District's basic financial statements and have issued our report thereon dated November 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hi-Nella Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hi-Nella Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hi-Nella Board of Education's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* and in the separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* to be material weaknesses, labeled 2015-1, 2015-3.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, additional material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Education of the Hi-Nella School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of material noncompliance or other matters that is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and are described in the accompanying *Schedule of Findings and Questioned Costs* and in the separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, labeled 2015-3.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information and use of management, the Hi-Nella Board of Education, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245
www.colavita.net

November 13, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON
SCHEDULE OF EXPENDITURES REQUIRED BY OMB CIRCULAR 04-04
AND NEW JERSEY OMB CIRCULAR 04-04 AND/OR 15-08**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Hi-Nella School District
County of Camden, New Jersey

Report on Compliance for Each Major Program

We have audited the Board of Education of the Hi-Nella School District, in the County of Camden, State of New Jersey, compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major state programs for the fiscal year ended June 30, 2015. The Hi-Nella Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Hi-Nella Board of Education's major federal and state compliance based on our audit of the types of compliance requirements referred above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and New Jersey OMB's Circular 04-04 and/or 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 04-04 and/or 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Hi-Nella Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Hi-Nella Board of Education's compliance with those requirements.

Basis for Modified Opinion on State Aid - Public

As described in the accompanying *Schedule of Findings and Questioned Costs* and in the *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, the Hi-Nella School District did not comply with requirements regarding State Aid - Public (Equalization Aid GMIS#-495-034-5120-078, Special Education Categorical Aid 495-034-5120-089, Security Aid 495-034-5120-084, Under Adequacy Aid- 495-034-5120-096, PARCC Readiness-495-034-5120-098 and Per Pupil Growth Aid-495-034-5120-097) as described in finding # 2015-2. Compliance with such requirements is necessary, in our opinion, for the Hi-Nella School District to comply with the requirements applicable to the program.

Modified Opinion on State Aid - Public

In our opinion, except for the noncompliance described in the "Basis for Modified Opinion" paragraph, the Hi-Nella School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on State Aid - Public for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Hi-Nella School District's Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Hi-Nella Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with NJ OMB Circular 04-04 and/or 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hi-Nella School District's Board of Education's internal control over compliance.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. However, as discussed below, we identified one deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* and in the separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* to be a material weakness, labeled 2015-2.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a major program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Hi-Nella Board of Education's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Hi-Nella Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB's Circular 04-04 and/or 15-08. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915

HI-NELLA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE - SCHEDULE B
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period	Balance at June 30, 2014		Cash Received	Budgetary Expenditures	Balance at June 30, 2015			MEMO	
				Unearned Revenue (Accounts Receivable)	Due to Grantor			(Accounts Receivable)	Unearned Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:												
General Fund:												
Equalization Aid	14-495-034-5120-078	\$678,269	7/1/13 to 6/30/14	\$ (67,945)		\$ 67,945						
Equalization Aid	15-495-034-5120-078	678,269	7/1/14 to 6/30/15			610,444	\$ (678,269)	\$ (67,825)			* \$ 67,825	\$ 678,269
Security Aid	14-495-034-5120-084	23,730	7/1/13 to 6/30/14	(5,702)		5,702						
Security Aid	15-495-034-5120-084	23,730	7/1/14 to 6/30/15			21,357	(23,730)	(2,373)			* 2,373	23,730
Special Education Categorical Aid	14-495-034-5120-089	56,918	7/1/13 to 6/30/14	(2,377)		2,377						
Special Education Categorical Aid	15-495-034-5120-089	56,918	7/1/14 to 6/30/15			51,226	(56,918)	(5,692)			* 5,692	56,918
Transportation Aid	14-495-034-5120-014	37,528	7/1/13 to 6/30/14	(5,819)		5,819						
Transportation Aid	15-495-034-5120-014	37,528	7/1/14 to 6/30/15			33,775	(37,528)	(3,753)			* 3,753	37,528
Extraordinary Aid	14-100-034-5120-473	1,000	7/1/13 to 6/30/14	(3,759)		3,759						
Extraordinary Aid	15-100-034-5120-473	11,356	7/1/14 to 6/30/15				(11,356)	(11,356)			*	11,356
Under Adequacy Aid	14-495-034-5120-096	58,093	7/1/13 to 6/30/14	(1,000)		1,000						
Under Adequacy Aid	15-495-034-5120-096	58,093	7/1/14 to 6/30/15			52,284	(58,093)	(5,809)			* 5,809	58,093
PARCC Readiness aid	15-495-034-5120-098	1,170	7/1/14 to 6/30/15			1,053	(1,170)	(117)			* 117	1,170
Per Pupil Growth Aid	15-495-034-5120-097	1,170	7/1/14 to 6/30/15			1,053	(1,170)	(117)			* 117	1,170
Nonpublic Transportation Aid	15-495-034-5120-014	174	7/1/14 to 6/30/15				(174)	(174)			*	174
Total General Fund				(86,602)		857,794	(868,408)	(97,216)			85,686	868,408
Total State Financial Assistance				\$ (86,602)		\$ 857,794	\$ (868,408)	\$ (97,216)			\$ 85,686	\$ 868,408

The accompanying Notes to Financial Statements and Notes to the Schedules of Financial Assistance are an integral part of this schedule.

HI-NELLA BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2015

NOTE 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Borough of Hi-Nella. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 2 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund, where applicable, also recognizes the one or more state aid June payments in the current budget year, consistent with N.J.S.A. 18A:22-4.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$84) for the general fund and none required for the special revenue fund. See Note 2 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

HI-NELLA BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2015
(Continued)

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONT'D)

	<u>State</u>	<u>Total</u>
General Fund	\$ 868,324	\$ 868,324
Special Revenue Fund	-	-
Total Awards & Financial Assistance	<u>\$ 868,324</u>	<u>\$ 868,324</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5: MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

HI-NELLA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness (es) identified? X yes no

2) Significant deficiencies identified? yes X none reported

Noncompliance material to general-purpose financial statements noted? X yes no

Federal Awards N/A

Internal control over major programs:

1) Material weakness (es) identified? yes no

2) Significant deficiencies identified? yes none reported

Type of auditor's report issued on compliance for major programs:

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? yes no

CFDA Number(s) **Name of Federal Program or Cluster**

No Major Federal Programs

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? yes no

HI-NELLA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued)

Section I - Summary of Auditor's Results (continued)

State Awards

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000.00

Auditee qualified as low-risk auditee? _____ yes _____ X no

Internal control over major programs:

1) Material weakness (es) identified? _____ X yes _____ no

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ yes _____ X none reported

Type of auditor's report issued on compliance for major programs: Modified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04 and/or 15-08 _____ X yes _____ no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
15-495-034-5120-078	Equalization Aid
15-495-034-5120-084	Security Aid
15-495-034-5120-089	Special Education Categorical Aid
15-495-034-5120-096	Under Adequacy Aid
15-495-034-5120-098	PARCC Readiness
15-495-034-5120-097	Per Pupil Growth Aid

**HI-NELLA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Section II - Financial Statement Findings

Finding: 2015-1

Criteria or specific requirement:

All purchase orders should be accompanied by adequate supporting documentation.

Condition:

With regard to prior year tuition adjustments from the Sterling Board of Education, documentation was not available to fully support the open purchases orders charged against the 2014-15 Budget.

Context:

Tuition agreements between sending and receiving districts contain initial contracts with subsequent tuition adjustments determined based on the actual number of students at the audited tuition rates.

Effect:

The tuition adjustments charged against the 2014-15 Budget were not clearly supported, as there were discrepancies noted within the calculations.

Cause:

A lack of clear communication between the sending and receiving district.

Recommendation:

The Hi-Nella Board of Education should request a calculation of the tuition adjustments for the 2011-12 and 2012-13 school years, including the actual number of students, as well as the audited tuition rates from the Sterling Board of Education.

Management's response:

The responsible officials agree with the finding and address the matter as part of their corrective action plan.

**HI-NELLA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Section II - Financial Statement Findings

Finding: 2015-3

Criteria or specific requirement:

It is considered critical for accounting purposes, as well as to provide proper internal control that cash reflected in the general ledger be reconciled to the bank statement on a monthly basis.

Condition:

The Treasurer's report for the month ended June 30, 2015 was not in agreement with amounts reflected in the general ledger.

Context:

Certain transactions in the general fund and the enterprise fund were not recorded on the bank reconciliation.

Effect:

The bank accounts for the general fund and enterprise fund were not properly reconciled to the general ledger.

Cause:

There appeared to be adjustments that were not communicated to the Treasurer.

Recommendation:

Procedures to reconcile the bank accounts to the general ledger should be reviewed and revised, in order to insure they are in agreement on a monthly basis.

Management's response:

The responsible officials agree with the finding and address the matter as part of their corrective action plan.

**HI-NELLA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

FEDERAL AWARDS N/A

STATE AWARDS

Finding: 2015-2

Information on the state program:

State Aid - Public:

Equalization Aid	495-034-5120-078
Special Education Categorical Aid	495-034-5120-089
Security Aid	495-034-5120-084
PARCC Readiness	495-034-5120-098
Per Pupil Growth Aid	495-034-5120-097

Criteria or specific requirement: N.J.A.C. 6A:23A-16.10

Condition:

As of June 30, 2015, one general fund budgetary line item was over-expended, thus contributing to an overall general fund unassigned fund balance deficit.

Questioned Costs:

None Identified

Context:

One general fund budgetary line item for tuition was over-expended by a total of \$445,266.

Effect:

As a result of the School District's deficit, it is not known how the School District will satisfy its obligations.

Cause:

The cause of the condition is that the School District did not realize sufficient revenues to fund fiscal year obligations.

Recommendation:

The Hi-Nella Board of Education should consult with the New Jersey Department of Education, along with the appointed state monitor, in order to develop a formal corrective action plan that seeks to adequately fund future operating budgets and eliminate the budget basis deficit in the amount of \$801,017.

Management's response:

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**HI-NELLA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

This section identifies the status of prior - year findings related to the basic financial statements and Federal and State awards that are required to be reported in accordance with Chapter 6.12 Government Auditing Standards, US OMB Circular A-133 (Section .315 (a) (b)) and New Jersey OMB's Circular 04-04 and/or 15-08.

STATUS OF PRIOR - YEAR FINDINGS

FINANCIAL STATEMENT FINDINGS

Finding 2014-1

Information: Financial statement finding

Condition: During our examination of general fund revenues and receivables, we identified that the fiscal year 2014 tax levy was not recorded nor collected in full as of June 30, 2014, and that a receivable with doubtful collectability from the Borough of Hi-Nella was recorded at fiscal year end.

Current Status

This condition has been resolved.

Finding 2014-2

Information: Financial statement finding

Condition: During the fiscal year ended June 30, 2014, the school District transferred equity from its shared services (enterprise) fund to the general fund to aid in offsetting anticipated fiscal year 2013-14 budgeted revenue shortages.

Current Status

This condition has been resolved.

Finding 2014-3

Information: Financial statement finding

Condition: During our examination of the shared services enterprise fund revenues and receivables and expenses and payables, we noted several transactions that were not recorded in the proper account period.

Current Status

This condition has been resolved.

**HI-NELLA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

Finding 2014-4

Information: Financial statement finding

Condition: During our examination of the shared services enterprise fund expenses and payables, we noted that purchase orders were not always issue in sequential order, purchase orders did not always include claimant certifications, and the board meeting minutes did not always detail the list of claims for payment.

Current Status

This condition has been resolved.

Finding 2014-5

Information: Financial statement finding

Condition: During our examination of the School District's compliance with Public Schools Contracts Law for the shared services enterprise fund, we noted the following: (1) the receipt and the subsequent award of bids on January 13, 2013 were not documented in detail by vendor in the board meeting minutes provided for examination; (2) the *Account Manager Services Agreement*, effective February 1, 2014 through June 30, 2014, with the Borough of Hi-Nella appears to contain performance responsibilities that are also included in the scope of work for the *Joint Purchasing Management and Services* included in the bid specifications approved on January 27, 2014, which was subsequently awarded on February 17, 2014 to another vendor; (3) during our review for related parties, we noted that during the timeframe June 1, 2014 through February 10, 2014, a school board official solicited proposals for shared service management and services and made a subsequent award to a vendor that was owned by immediate family members, and additional projects were approved and contracted with that vendor during the same timeframe; and (4) the Office of Fiscal Accountability and Compliance (OFAC) issued a report of examination dated November 2014 which contained findings of additional violations of Public Schools Contacts Law.

Current Status

This condition has been resolved.

**HI-NELLA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

FEDERAL AWARDS

None.

STATE AWARDS

Finding 2014-6

Information on the state program:

State Aid- Public:

Equalization Aid	495-034-5120-078
Special Education Categorical Aid	495-034-5120-089
Security Aid	495-034-5120-084

Condition: As of June 30, 2014, two general fund budgetary line items were over-expended, thus contributing to an overall general fund unassigned fund balance deficit.

Current Status

This condition has not been resolved, see current year finding 2015-2.